

Records for claiming work-related expenses



When completing your tax return, you're entitled to claim deductions for some expenses, most of which are directly related to earning your income.

To successfully claim a deduction for work-related expenses, it's important that you must have spent the money yourself and weren't reimbursed, it must be directly related to earning your income, and importantly you must have a record to prove it.

You can only claim the work-related part of expenses. If an expense relates to both work and personal use, the ATO will expect that you apportion use on a reasonable basis and only claim the work-related portion.

For an expense to be deductible, it must be:

- incurred in performing your employment activities – for example, travel, home office and phone expenses
- sufficiently connected to your employment activities – for example, work tools/equipment, eligible clothing and self-education expenses. The connection between the expense and your income earning activities must be more than remote or minor, and the incurring of the expense not merely peripheral to the activities.

RECORDS YOU NEED TO KEEP

If your work-related deductions (not including certain car, travel allowance expenses and meal allowance expenses) are more than \$300, you must have records to support your claims.

Records are usually a receipt from the supplier of the goods or services. The receipt must show the:

- name of supplier
- amount of expense
- nature of goods or services
- date the expense was paid, and
- date of the document.

About this newsletter

Welcome to our monthly tax and superannuation update. We hope you find the content informative. Should you require further information on how any of the content could affect you, please do not hesitate to contact Ray or Neal on (03) 9428 1033 or

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Record keeping exceptions

In some instances you may not need records, but you will still need to be able to show you actually spent the money and how you calculated your claim. Exceptions to the record keeping rules are there to make things simpler – they do not allow you to claim an automatic deduction up to the specified amount where the money has not been spent.

KEEPING YOUR RECORDS

You need to keep your records for five years from the date you lodge your tax return.

If you are claiming for the cost of a depreciating asset that you have used for work (for example a laptop) you must keep purchase receipts and a depreciation schedule, or details of how you calculated your claim for decline in value, for five years following your final claim.

As the ATO may ask that you produce your records during the five years, it is important that you have sufficient evidence to support your claims.

Commissioner's discretion

If you are unable to obtain a receipt from a supplier, you can still claim a deduction if the ATO can be convinced that the nature and quality of the evidence shows that you:

- spent the money, and
- are entitled to claim a deduction. Evidence can include bank statements or credit card statements which show the amount that was paid, and when and who it was paid to, as well as other documents that outline the nature of the goods or services provided.

MYDEDUCTIONS

The records you keep don't have to be in paper form. Records made and stored electronically are recognised as documents – this includes photos of your receipts.

Keeping track of your records on the go is easy with the ATO app myDeductions tool, which is free at your app store. In myDeductions you can keep records of:

- any work-related expenses (including car trips)
- interest and dividend deductions
- gifts or donations
- cost of managing tax affairs
- other deductions.

At tax time you can send these records to us for use in completion of your return.

How the record keeping rules apply to different expenses

CAR EXPENSES

The type of car expense records you need to keep depends on whether you use the cents per kilometre method or logbook method to record the expenses.

Method 1: Cents per kilometre

You don't need receipts, but you need to be able to show how you worked out your business kilometres (for example, by producing diary records of your work-related trips).

If you use the cents per kilometre method, your claim is based on a set rate (68c per kilometre from 1 July 2018) for each business kilometre travelled. You can claim a maximum of 5,000 kilometres per car.

Method 2: Logbook

Your claim must be based on the percentage of work use of your car. To work this out you need to keep a logbook. Your logbook is valid for five years, but you can start a new one at any time. Your logbook must:

- cover a minimum continuous period of 12 weeks and be broadly representative of your travel throughout the year
- include the purpose of every journey, odometer reading at the start and end of each journey and total kilometres travelled during the period
- include odometer readings at the start and end of each income year.

You can claim fuel and oil costs based on your actual receipts, or you can estimate the expenses based on odometer readings from the start and the end of the period in which you used the car during the year.

You must keep:

- original receipts for all other expenses for the car
- details of how you calculated your claim for decline in value for your car, including the effective life and the method used.

If your claim relates to the transport of bulky tools and equipment, you will need:

- a record of all work items carried
- the weight and size of all work items
- evidence that the items are essential to your work
- evidence that your employer provided no secure storage at the workplace.

If you borrowed a car or used a vehicle other than a car (for example, a motor cycle or a vehicle with a carrying capacity over one tonne, such as a utility truck or panel van) you cannot claim your expenses using either of the two methods.

Instead, you need to keep all your receipts (such as fuel and repairs), and claim the work-related portion of these costs as a travel expense, not a car expense. Also remember to include on your tax return any allowances that you receive from your employer for car expenses.

TRAVEL EXPENSES

There are specific record keeping requirements for travel expenses, depending on:

- whether your travel allowance is shown on your payment summary
- whether your travel was domestic or overseas
- the length of your travel and your occupation.

Travel records you should keep include:

- a travel diary or itinerary, if your travel was for six nights or more
- receipts for all meals, airfares, accommodation, car parking and tolls
- an explanation of how the travel was work related, the number of nights you slept away from home and the location.

If your travel allowance is shown on your payment summary and you want to make a claim against it, you must have written evidence for the whole amount, not just the excess over the reasonable amount.

Reasonable amounts for accommodation, meals and incidentals are provided to make record keeping simpler, not to provide an automatic deduction – you can only claim the amount you spent. Although you may not need records, you will still need to be able to explain how you calculated your claim.

CLOTHING, LAUNDRY AND DRYCLEANING EXPENSES

- **Clothing.** You need to keep receipts to claim for the purchase of occupation-specific clothing, protective clothing, or unique and distinctive uniforms.
- **Laundry.** To claim a deduction for laundering occupation-specific clothing, protective clothing or unique and distinctive uniforms, you must keep details of how you calculated your claim.
- **Dry-cleaning.** If you use a dry-cleaning service for the clothes, you need to keep receipts.

If your laundry claim is under \$150, you do not need to keep records. Although you may not need records, you

will still need to be able to explain how you calculated your claim.

PHONE AND INTERNET

- **Claiming less than \$50.** If the work use of your phone is incidental, and you are not claiming a deduction of more than \$50, you may make a claim based on the following:
 - \$0.25 for each work call made from your landline
 - \$0.75 for each work call made from your mobile
 - \$0.10 for each text message sent from your mobile.
- **Claiming more than \$50.** To claim a deduction of more than \$50 you must:
 - keep all your phone and internet bills for the year
 - show how much is related to work.
- **If your bills are itemised.** Highlight all your workrelated calls in a four-week period, which can then be applied to the full period.
- **If your bills are not itemised or only part of the service is itemised.** Keep a diary covering a representative four-week period showing how often you used your phone and internet for work. This pattern of work use can then be applied to the full period.
- **Bundled plans.** If you have a bundled plan, keep a diary covering a representative four-week period showing how often you use each service for work. This pattern of work use can then be applied to the full period. Work out your work use by recording:
 - internet: - the amount of data downloaded for work as a percentage of the total data downloaded by all members of your household
 - phone: - the number of work calls made as a percentage of total calls - the amount of time spent on work calls as a percentage of your total calls.

Unless you only use your phone and/or internet for work, you will have to determine the work-related portion of your expenses. Keep a record of the calculation and only claim that amount.

WORKING FROM HOME

When claiming running costs for your home office (such as electricity and home office equipment) the types of records you need to keep depends on the method you use to work out your claim – fixed rate or actual costs.

Continue overleaf

- **Fixed rate.** If you are using the fixed rate method (52c per hour from 1 July 2018), either keep records of your actual hours spent working at home for the year, or keep a diary for a representative four-week period to show your usual pattern of working at home.
- **Actual costs.** If you are claiming the actual costs you have incurred, keep your receipts for items you will claim outright (for example, receipts for stationery or statements for electricity and gas).

SELF-EDUCATION EXPENSES

You must keep receipts for all self-education expenses, including course fees, text books, stationery and travel expenses. You must also be able to explain how the course directly related to your employment at the time of study.

If you are claiming the portion of a depreciating asset that you have used for self-education (such as a laptop), you must keep receipts and a depreciation schedule, or details of how you calculated your claim for decline in value.

SPECIFIC RECORDS REQUIRED FOR DEPRECIATING ASSETS

Some items, like a computer or car, have a limited life expectancy (effective life) and are expected to depreciate over time or decline in value. You must keep receipts that show the:

- name of supplier
- cost of the asset
- nature of the asset
- date you acquired the asset
- date of the document.

You also need to be able to show:

- the date you first started using the asset for work-related purposes
- the effective life of the asset (how long an asset can be used for). If you have not adopted the effective life determined by us, you will need to show how you worked out the effective life.
- the method used to work out the decline in value
- how you have calculated the percentage of work use.

We can help with any decline in value deduction for a depreciating asset, and also assist you with some of the relevant record keeping requirements. Remember to ask us for help and guidance for any of your work-related deduction claims.

Important: Clients should not act solely on the basis of the material contained in Client Alert. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. Client Alert is issued as a helpful guide to clients and for their private information. Therefore, it should be regarded as confidential and not be made available to any person without our prior approval.